



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR H.B. 2005

~~education; federal funds; technical correction~~
(NOW: prohibitions; digital application distribution platforms)

Purpose

Prohibits certain digital application distribution platform (application platform) providers from requiring the exclusive use of a particular in-application payment system to download a software application or purchase a digital or physical product or service through a software application.

Background

The Office of the Attorney General (AG) serves as the chief legal officer of Arizona and receives complaints and investigates alleged violations relating to civil rights, consumer fraud and other statutes as authorized ([A.R.S. Title 41, Chapter 1, Article 5](#)). The Office of the AG consists of the Criminal Division, State Government Division, Child and Family Protection Division, Civil Litigation Division, Appeals and Constitutional Litigation Division, Communications Division and Operations Division ([AG](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Prohibits an application platform provider for which cumulative software application downloads exceed 1,000,000 from the platform to Arizona users in the previous or current calendar year (application platform provider) from:
 - a) a developer domiciled in Arizona (Arizona developer) to use, as the exclusive mode of accepting payments from users, a particular in-application payment system for accepting payments to download a software application or purchase a digital or physical product or service through a software application; or
 - b) the exclusive use of a particular in-application payment system for accepting payments from Arizona users to download a software application or purchase a digital or physical product or service through a software application.
2. Prohibits an application platform provider from retaliating against:
 - a) an Arizona developer or an Arizona user for using an in-application payment system or application platform not owned by, operated by or affiliated with the provider; or
 - b) a developer for that use to distribute applications to or accept payments from Arizona users.
3. Allows the AG to:
 - a) receive complaints and investigate violations of the prohibitions on an application platform provider; and
 - b) bring an action in any court of competent jurisdiction to obtain legal or equitable relief on behalf of a person aggrieved by the violation.

4. Allows any person aggrieved by a violation to commence a civil action on their own behalf to obtain legal or equitable relief, including reasonable attorney fees and costs, in any court of competent jurisdiction.
5. Limits the commencement of an action by an aggrieved person by prohibiting the action from being commenced:
 - a) until 60 days after the plaintiff has given notice of the alleged violation to the AG; or
 - b) if the AG has commenced and is diligently prosecuting an action in court arising from the same alleged violation.
6. Excludes, from the prohibitions, *special-purpose digital application distribution platforms* which are platforms established primarily for:
 - a) use by public safety agencies; or
 - b) single or specialized categories of applications, software and services provided to users on hardware intended primarily for specific purposes, including gaming consoles, music players and other special-purpose devices connected to the internet.
7. Defines *in-application payment system* as an application, service or user interface used to process payments from users to developers for software applications and digital and physical products and services distributed through software applications.
8. Defines *digital application distribution platform* as a digital distribution platform for applications and services provided to users on general-purpose hardware, including mobile phones, smartphones, tablets, personal computers and other general-purpose devices connected to the internet.
9. Includes, in *digital application distribution platform*, a platform provided or used for only certain types of devices, such as certain grades of computing device, devices made by only a particular manufacturer or devices that run a particular operating system.
10. Defines *developer* as a creator of software applications made available for download by users through an application platform or other digital distribution platform.
11. Defines *provider* as a person that owns, operates, implements or maintains an application platform or an in-application payment system.
12. Defines *Arizona user* as a user whose most recent address shown in a provider's records is located within Arizona.
13. Defines *domiciled in this state* as a person that conducts in Arizona the substantial portion of work to create or maintain digital applications.
14. Defines *special-purpose digital application distribution platform*.
15. Becomes effective on the general effective date.

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House Action

COM	2/16/21	W/D	
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3 rd Read	3/3/21		31-29-0

Prepared by Senate Research

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